



FINANCE COMMITTEE MEETING DRAFT REPORT

March 12, 2020

Mezzanine Room | Northwoods Clubhouse

ATTENDANCE

Members: Mahoney, Ravano (phone), Eyton-Lloyd, Anderson, Melia, Watson (phone), Miller

Absent: Dundas, Bonzon

Ex-officio Members: Salmon

Board Liaisons: Connors, Koenes (phone)

GPC Liaison: Lundgren (phone)

TDA Members: Colbert

AGENDA ITEM

1. **Call to Order / Call for Quorum:** Meeting called to order by Acting Chair Mahoney at 3:01 pm. 6 Member quorum present (Anderson joined later).
2. **Approval of Agenda:** No changes to the Agenda proposed. Motion to approve Agenda, Miller 1st, Eyton-Lloyd 2nd; passed 6-0.
3. **Approval of Committee Report, February 13, 2020:** The draft report as circulated elicited no comments or corrections. Motion to approve Minutes, Watson 1st, Miller 2nd; passed 6-0.
4. **Member and Committee Member Comments:** None.
5. **Committee Management:** Mahoney reminded members of the need to identify TD Members who may have the expertise needed to help with one or more of the proposed Finance Committee tasks for 2020 and asked for each FC Members to propose 1-2 individuals by the next FC Meeting.

Mahoney also reminded members of the need for members to take the lead on specific tasks assigned to the FC. We will cover that at the next FC meeting after the tasks have been finalized with the BOD at their March 28 meeting. Mahoney requested Directors Connors and Koenes to consider moving that agenda item earlier in the BOD meeting.

6. **Old Business:** Mahoney reported that the BOD had approved the FC charter at its March 2 meeting with minor clarifying amendments dealing with the need for the FC to be forward fo-

cused, the submission process for membership applications, the need to include dissenting opinions in reports to the BOD and the addition as an appendix of a powerpoint deck from Koenes contrasting the FC and the 5501 Committee. Mahoney also reported that the proposed 5501 Committee charter was not approved by the BOD. Instead, the BOD passed the current resolution with minor changes which limited the scope of the 5501 Committee to the language about the tasks of the committee contained in the relevant legislation.

The list of proposed tasks for the FC was not actioned at the March 2 meeting and will be carried over to the next BOD meeting on March 28. DFA Salmon walked through the list of tasks categorized as High in importance and indicated those where he thought the FC could provide help to the Finance team. DFA Salmon informed the committee that the draft of the amenity access survey had been forward to the BOD for their review prior to sending it out, and that he would need FC help in understanding the results.

Both Koenes and Ravano indicated that they could provide some help through their contacts with a possible lobbying effort in Sacramento aimed at securing an exemption from the 5500 language for larger HOAs which are audited by external auditors. Beyond that, and making sure that the HOA's external legal counsel and auditors were appropriately engaged, there was no perceived need for FC involvement.

Mahoney concluded the discussion by highlighting the need to assign leads to the various tasks at the next FC meeting after the list has been approved by the BOD.

7. New Business:

a. Lundgren reported on the most recent GPC meeting, highlighting the two main areas of focus - the Downhill Ski Lodge replacement and the refresh of the Master Plan. The GPC has agreed on a methodology for evaluating the various inputs for evaluating the estimated capacity needs for the new lodge. The GPC has asked an external to review the methodology and the inputs over the next couple of months and hopes to be able to present a recommendation to the BOD in June. The Amenity Master Plan time horizon is being extended from 5 to 10 years with a membership survey planned in the coming months. Lundgren expressed the need for close coordination with the FC on funding availability for the various projects. The next GPC meeting is scheduled for April 6.

b. DFA Salmon reported that the minutes from the March 5501 Committee meeting had not yet been circulated but would be included in the March 28 BOD agenda. He reported that the focus of the March meeting had been on Food & Beverage COGS. The FC attendees for the upcoming 5501 Committee meetings are as follows:

March 24, 2020: Eyton-Lloyd, Anderson
April 28, 2020: Watson
May 26, 2020: Miller
June 23, 2020: Ravano

c. DFA Salmon updated the FC on the status of the audit report, which he expects to be finalized in time to publish it online in May. DFA Salmon showed the committee the proposed new format for the consolidated reporting of Revenues & Expenses, and said that the old format would be included in the audit report as an appendix. The FC expressed its support for the proposed change, noting that there will not be a comparison to the prior year in the new format since the prior year's results had not been audited on the basis of allocations to amenities and departments but only on the basis of allocation to accounting categories. The FC discussed whether it made sense to try and allocate the depreciation charge to amenities. DFA Salmon will discuss this with the auditors, but noted that the annual report published by the HOA includes the cost of the capital charge for each amenity which is arguably more relevant to TD members. Director Koenes requested that consideration be given to changing the language around amenity "profitability" to "contribution margin".

DFA Salmon also discussed the new accounting policy treatment for revenue recognition which comes into effect for 2019 and the impact of that on what we now show as Members' Equity. There has been no clear guidance on how this new policy should apply to HOAs and the industry is split on this issue. The question is whether Members' Equity is the correct depiction of the unspent reserves or whether the unspent reserves are held against a future liability to replace existing assets. DFA Salmon will continue to address this with the auditors and keep the FC apprised of developments.

d. The discussion of the Capital Projects Workshop with the GPC was deferred and is now on the preliminary agenda for the April FC meeting.

e. Mahoney reviewed the report for the 4th quarter of 2019 from the Investments working group, which is still in draft form. He requested input from FC members ahead of the next FC meeting when it will be presented for approval, along with proposed revisions to the Investment Policy, and forwarded to the April BOD meeting. The 1st quarter's report will be presented at the May FC meeting.

8. Next FC Meeting: April 9, 2020, 3:00-4:30 pm, Mezzanine Room, Northwoods Clubhouse. Mahoney advised that the meeting may be virtual using Zoom if the health environment does not improve.

9. Preliminary Agenda Topics

- a. 2019 Investment Performance Review
- b. Review of Investment Policy
- c. Annual Report draft review
- d. Final 2020 FC Task List
- e. Building Replacement Reserves discussion
- f. 5501 Committee report
- g. GPC Liaison report
- h. Capital Projects Workshop w/GPC

10. **Motion to Adjourn:** There being no further business, Mahoney called for a motion to adjourn the meeting at 4:40pm, Eyton-Lloyd 1st, Miller 2nd, passed 7-0

Prepared and Submitted by Terry Watson, Recorder, Finance Committee